

Further help with understanding 2007 ESB forum responses regarding the equalization process and terminology can be found in the Assessing Standards Board Reference Manual for Selectmen, Assessors, and Taxpayers. The manual can be found at [www.revenue.nh.gov](http://www.revenue.nh.gov) in the ASB section of the DRA website.

### **ESB Forum Questions**

- 1. Is the equalization process going to be equal throughout the whole state or per community? Are only local sales of property used or are sales to people from MA, CT, NY at an inflated rate and then calculated?**

A ratio study is conducted for each municipality annually. The purpose of the equalization process is to calculate the estimated total value of each municipality so that taxes may be apportioned equitably.

The DRA uses all valid arm's length sales in its ratio setting process. This includes sales to buyers from other states, as well as from local community buyers.

- 2. What happens where there are not 20 sales in a community? Is that why towns are evaluated at different rates? What happens? (Assumption "different rates" as used in the question refer to different equalization ratios.)**

The goal of the DRA is to use at least 20 valid sales in every ratio study. If there are not 20 valid sales, there is a specific process for adding "supplemental" sales from prior years. Sales can be added to up to 2 ½ years prior to the April 1<sup>st</sup> for which the DRA is conducting the ratio study. When supplemental sales are added, a time trend analysis is performed to adjust the older sale prices to reflect the April 1<sup>st</sup> value of the year of the study.

The goal of equalization is to bring municipalities to their 100% true value for purposes of apportioning taxes. As the market increases or decreases, the ratio of assessments to sale prices change. The only way for a municipality to remain at 100% would be to have a revaluation or statistical update on an annual basis.

- 3. How does the ESB determine what is going to be used – the median, mean or weighted mean ratio? How does the ESB know what ratio is used for each community. Is everyone at one level in the community unless the municipality can prove otherwise?**

The DRA calculates three ratios as part of the equalization process: the mean, median and weighted mean. The ESB has adopted the use of the weighted mean ratio for equalization purposes only. The use of the weighted mean for equalization purposes meets the suggested standards of the IAAO (International Association of Assessing Officers).

The DRA does have the authority to use another ratio if it can be determined that the weighted mean does not best represent the level of assessment for a municipality. Over the past several years, all towns have been equalized using the weighted mean. There have been no exceptions.

It is the objective to have all properties assessed proportionately (at the same level). Because different properties increase or decrease in values at different rates, this can be a difficult goal to achieve. Thus, the appeal process is provided for any taxpayer who feels their property is disproportionately assessed in comparison to other properties within a municipality.

**4. On the 2006 EQ median ratio - there is a huge disparity from high to low and what does that mean?**

In 2006, the median ratios for municipalities ranged from 46 to 108. The NH Constitution requires properties to be assessed at 100% of market value only every five years. The lower 2006 median ratios are in municipalities with revaluations in 2002, 2003 and 2004. The reason for the low ratios is the fast-paced real estate market of the past several years and not the lack of assessment work on the municipality's part. There are only four exceptions to this and each of these conducted a revaluation in 2007.

It is precisely because not all towns are assessing at 100% that equalization of municipal assessed values is performed.

**5. If there are less than 20 sales or older sales used; are the actual sales prices used or are the sales prices inflated to today's prices? Have there been situations where older sales values were lowered?**

The goal of the DRA is to use at least 20 valid sales in every ratio study. If there are not 20 valid sales, there is a specific process for adding "supplemental" sales from prior years. Sales can be added to up to 2 ½ years prior to the April 1<sup>st</sup> for which the DRA is conducting the ratio study. When supplemental sales are added, a time trend analysis is performed to adjust the older sale prices to reflect the April 1<sup>st</sup> value of the year of the study.

The real estate market in New Hampshire has been increasing over the past few years. The result of time trending, if required, would have been to increase the sale price of older sales and bring it up to an estimate of market value as of April 1<sup>st</sup> for the year in which the ratio study is being conducted. If the market begins to decrease, the older sale prices for the older sales would be adjusted downward.

**6. There are not many opportunities in the north country to earn money as in Concord or Manchester. How can people pay for their taxes?**

This is not under the authority of the Equalization Standards Board.

- 7. Who is responsible for keeping values at market value and making necessary adjustments? Does the DRA have anything to do with market value? (Assumption that “keeping values at market value” in the question means keeping assessed values at market value.)**

Assessing officials are responsible for all assessments for property taxes within their municipality. RSA 41:2-g, 41:2-c and RSA 48:13 authorize the selectmen, elected assessors and city assessors to be assessing officials. These statutes also prescribe the duties of the assessing officials in municipalities in the state.

Most, if not all, municipalities hire professional individuals or firms to determine assessments for properties within their municipalities. The local assessing officials, however, have the final responsibility for accepting assessments within their municipality.

RSA 21-J:3 V & VI authorize the DRA with general supervision of the assessment and taxation laws within the state. The DRA offers instruction, guidance, and direction to local assessing officials. The DRA, however, does not make any assessments on individual properties.

- 8. Does each county have a median and weighted mean or is it the whole state? It's not each community ratio being compared with each county?**

Median and weighted mean ratios are calculated as part of the ratio study conducted for each municipality in the state annually. The weighted mean ratio is then used to equalize each municipality's local assessed values to bring them to 100% of value which is termed the total equalized valuation. It is each municipality's total equalized value which is used to apportion county and state taxes.

The county tax is apportioned by dividing a municipality's total equalized value by the sum of the total equalized values for all the municipalities within a county.

No ratio study is conducted for all the sales within a county or the state. Therefore, no median or weighted mean ratio is calculated for a county. The DRA does calculate a median ratio for the state. It is the median of all ratios for each municipality and this ratio is provided for informational purposes only.

- 9. Does equalization apply to each town in each county? If there are higher value sales in the southern counties versus the northern counties, is that what is used to help make it equal?**

Yes, a total equalized value is calculated for each municipality in the state.

Generally speaking, property values, as a whole, are higher in the southern part of the state than property values in the northern counties -- not just sale prices. As a result, the towns in the southern part of the state have higher local assessed values and higher total equalized values.

If you have further questions, comments or concerns please feel free to contact the Assessing Standards Board or Equalization Standards Board by email to:

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